



Technical Report: Trade Facilitation

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1. Trade Facilitation Defined

Trade Facilitation has been defined as “rationalisation of trade procedures and documents relating to the movement of goods in international trade from the place of consignment to their place of destination.” (See Annex III of the SADC Trade Co-operation Protocol attached). However, this definition does not indicate the objectives of Trade Facilitation. From the perspective of the objectives, the following definition might be more appropriate. *Trade Facilitation is the systematic simplification and rationalisation of trade documentation and procedures, and application of modern technology, with a view to reducing to the minimum possible the costs of doing international trade and facilitating timely delivery of foreign merchandize.*

2. The Scope of Trade Facilitation

Simplification and Rationalisation of Documentation

- Alignment of documents on the United Nations Layout Key.
- Reduction of the number of documents required by administrative authorities, e.g. Customs, Exchange Control Authorities, etc.
- Reduction of the number of copies required.
- Rationalisation of the information required on documents and limitation of information to the minimum essential.

Computerisation of trade information processing and transmission

- Direct Trader Input (DTI)
- Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT)
- EDI Messages

Simplification of Trade Procedures

- Streamlining of administrative procedures
- Elimination of unnecessary formalities
- Reduction of the number of authorities involved

Institutional Arrangements

- Establishment of National Trade Facilitation Councils
- Ensuring regular meetings of the Trade Facilitation Council
- Establishing Regional and International Networks

These activities will now be discussed in detail starting with alignment of Trade Documents on the UN Layout Key.

3. Alignment of Documents on the UN Layout Key

The United Nations Layout Key is a Template or Master document, which was adopted by

the United Nations Economic Commission for Europe (ECE) in the 1960s to serve as a basis for the layout of documents used in international trade. These include, the invoice, Airway Bill, Bills of lading, Customs documents, etc.

The key points in the layout of trade documents are the size, e.g. A4, A5, etc. the orientation, e.g. Portrait, and the positioning of information fields - data elements. The UN Layout Key serves as a basis of standardisation and alignment of the various documents, which are used in a single trade transaction. The fact that they have the same format, simplifies their completion, transcription, filing and storage. This also enables use of electronic printers, photocopiers telefax machine and other modern means to complete, transmit or reproduce documents.

In this connection, consider the format of a Bill of Entry and supporting document. If the format of the Bill of Entry is based on the UN Layout Key, its size should be that of A4 paper and its orientation portrait i.e. upright. In this format, the Bill of Entry is easily stacked with the supporting documents, e.g. invoice and the Airway Bill. The three documents would be cumbersome or awkward to handle if, say, the Bill of Entry were larger than the other documents, or if its orientation were landscape or horizontal. Printing on the Bill of Entry by an ordinary computer printer would be difficult, it would not pass through an A4 fax machine, and the documents stack well in a filing folder.

When documents are aligned on the layout key, the boxes or titles for information - data elements - are located at the same position in the various documents used in one trade transaction. For example, the Invoice, Airway Bill, Bill of Entry and Exchange Control Declaration have data elements for exporter or consignor, importer/consignee, Declarant/Agent, Description of goods, the Declaration, etc. These data elements are found in the same position in the four documents. Comparing information on the four documents - as Customs officers do - is facilitated because one knows exactly where, on the document, the information should be found.

4. Reduction of the Number of Documents Required

Trade facilitation also addresses the problem of proliferation of administrative documents. Requirement of too many documents is costly in terms of the costs of acquiring them and of completing them. It is also costly to Customs administration and other authorities that have to check these documents and retain copies. Filing and storing a large number of documents require time and space. It is not uncommon to find stocks and stacks of documents occupying space in Customs offices and corridors. The documents are never consulted after storage and the space they occupy could be put to better use.

While the requirement to complete official forms is appreciated, trade facilitation efforts go to ensuring that only the minimum number should be required, and that the need for a new form should be discussed among the various parties represented in the National Trade Facilitation Councils (discussed below).

5. Single Administrative Document (SAD)

One way of reducing the number of documents required is to merge them into a single

multipurpose document. Consider the various Bills of Entry forms e.g. Bill of Entry Direct; Bill of Entry for Export; Bill of Entry for Export Ex Warehouse etc. Since they have a number of Common Data Elements, they can be merged into one form, which can satisfy the various purposes for which the various forms are used.

The countries of the European Economic Community were the first to design a single document that could be used as a Bill of Entry (Goods Declaration) for various purposes. The document was called Single Administrative Document, SAD, (because Customs documents are administrative - as opposed to commercial/trade and transport documents). The successful design and implementation of the EC SAD was considered an important breakthrough in Trade Facilitation.

Subsequently, the Customs Co-operation Council, now called the World Customs Organisation, embarked on a project to prepare a SAD that would be of multilateral use - as opposed to the EEC SAD which was for the EEC Region. However, the project was abandoned possibly because it was realised that countries might eventually not use the proposed document.

Meanwhile, the division of Trade Facilitation of UNCTAD in Geneva (UNCTAD/FALPRO) also prepared a SAD to go with their Automated System for Customs Data (ASYCUDA). This has served very successfully as a template for National SADs of countries introducing the ASYCUDA.

6. Reduction of the Number of Copies

In order to reduce the cost of documentation Trade Facilitation efforts are also directed at the number of copies required for documents. The reduction exercise involves asking why a particular authority should be given a copy of a document, why more than one copy is required, etc. One often authorities require copies of documents which are just filed and never referred to. Again, the copy-requirements of each authority is discussed in the National Trade Facilitation Council where all the “stakeholders” are represented.

7. Reduction of Data Elements

As we have seen above, data elements are the titles of boxes or places for information. Examples are “Exporter” “Consignee” Bill of Lading No” etc. Data elements should be limited to those that are strictly essential for trade, transport and administrative purposes. To use a crude example, there is no reason whatsoever for the Bill of Entry to require declaration of the name of the importer’s mother. But the Income tax Authorities may insist that the Bill of Entry should have a field for the importer’s Income Tax number. Again, it might take much debating in the Trade Facilitation Council before a decision on the need to include an Income Tax data element on a Customs Bill of Entry can be reached.

8. Use of Trade Data Codes

Trade Data Codes can be considered as abbreviations which are internationally accepted. These are usually the codes issued by the International Standard Organisation (ISO) for countries, currencies, means of transport, etc. There can also be codes for Customs

procedures or Customs regimes. An example of codes is the “Alpha 2 Country Code” for the presentation of names of countries.

The use of codes is economical because codes require less space than full names. Compare “Tanzanian Shilling” with “TZS” and “South African Rand” with “ZAR”. With the use of codes, the fields or boxes on forms need be only large enough to accommodate a few letters or a combination of letters and numbers (Alpha-Numeric Code).

The use of codes also enables compression of information for purposes of electronic data processing. It facilitates the compilation of tables and columns and the transmission of “messages” in Electronic Data Interchange (discussed below).

9. Computerisation of Information Processing and Transmission

Trade facilitation efforts are also aimed at facilitating widespread use of information Technology especially in transmitting trade data. In this connection, international standards for the interchange of data between computers have been established. Electronic formats, called “messages”, of various trade and Customs documents have been designed and adopted as ISO Standards. The transmission of data between various parties in international trade is now increasingly being done through Electronic Data Interchange, or simply EDI. The following example using transmission of the Bill of Entry, or Goods Declaration, demonstrates the stages through which this almost revolutionary achievement has gone through.

Traditionally the Goods Declaration is a paper form. It is completed by the importer or his agent and submitted to Customs for checking, authorisation to pay any duties and taxes, and release of the goods. During the early stage of computerisation, importers and their agents were allowed to deliver the content of the Goods Declaration to the Customs on tapes or other magnetic media. The Customs would load the information on their computers and process it accordingly.

In the next stage of development, traders/agents were allowed to link, or interface, their computers with that of the Customs, and to input (send) the contents of the Goods Declaration directly into the Customs computer. This direct trader input, or simply DTI, facilitated things a great deal. Declaration clerks of importers/trader did not have to go to the Customs house so often since they would check their screen and ascertain whether the goods have been released, or will be examined, or they have to answer a query.

The problem with DTI was that every Customs administration had to develop linking (interfacing) rules or protocols for communication between the computer of the Customs and those of traders. The message to be communicated, i.e. the Goods Declaration, also varied from one Customs administration to another. The sequence in the flow of the electronic message also differed.

These differences were also found in computer-to-computer communication in commerce, trade and transport. Further, attempts to establish standards at industry level were complicated by the fact that North America on the one hand and Europe, on the other, were working on different standards. It was seen very early that international standardisation

would greatly facilitate trade. Furthermore, the standards should be for use between traders and Customs, and between trader and trader and one Customs service and another.

Through the efforts of the ECE and national trade facilitation bodies such as those of the United Kingdom (SITPRO), Sweden (SWEPRO) and France (SIMPOFRANCE), and various groups in North America, a compromise was reached between America and Europe on an international standard for interchanging data. This is called the United Nations Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT).

In addition to EDIFACT, which is the grammar of communication between computers, there was need to agree on the vocabulary of communication and even on the format and context of what is to be communicated. Committees made up of various organisations, Customs administrations, and trade facilitation bodies were formed to design the electronic messages. The Goods Declaration is an example of a message.

The adoption of EDIFACT and standard electronic messages for, e.g. the Invoice, the Manifest, the Airway Bill and the Goods Declaration made possible fully-fledged worldwide Electronic Data Interchange, or EDI.

The grammar for EDI, i.e. EDIFACT is now an ISO Standard. So too are the numerous messages which have been adopted.

10. Need for the Law to Change

Trade Facilitation efforts are also directed at changing the law so that it can accommodate use of new technology. Consider the following questions: should Customs law accept a fax copy of an invoice? Need a Bill of Entry be on a paper document? With electronic transmission of information, should there be prescriptions for forms concerning size, colour, etc. Given computer technology, what is a document? Given these developments what do you think of the requirement that declarations must be signed and stamped? These questions show clearly that the law is far behind technology, the law has to change, and the attitude of administrative authorities should change. Customs also need to urge for changes in Customs law in order to facilitate application of computer technology in Customs clearance.

11. Simplification of Trade Procedures

Documentation issues concern such matters as prescribed forms, number of supporting documents, number of copies, information on the document, processing and transmission of information, etc. Procedures concern the steps that have to be followed, where the documents have to be taken and what has to be done. Procedures are demonstrated by flow charts. Consider the following example concerning movement of a Goods Declaration.

1. Go to shipping agent and obtain the Bill of Lading.
2. Prepare Bill of Entry.
3. Take Bill of Entry, invoice, Bill of Lading and any other supporting document to Central Freight Bureau for payment of fees and endorsement.

4. Present documents to Income Tax Counter for income Tax clearance.
5. Present documents to Ministry of Trade for Import Licence Clearance.
6. Present documents to Customs:
 - a) Receiving clerk - to check that all documents required are submitted, and to stamp date of receipt
 - b) Declaration Officer - to check all particulars. Here a discrepancy is detected and documents rejected and returned to Clearing Agent
 - c) Correct discrepancies and re-submit document to Customs:
 - d) Valuation Section - to check Valuation Declaration and Value. Here a discrepancy is detected. Documents rejected and returned to Clearing Agent.
 - e) Correct discrepancies and re-submit document to Customs.
 - f) Manifest Section. Here a discrepancy is detected between Manifest and Bill of Lading on the one hand and import licence and other documents on the other. Documents are rejected and returned to the agent.
7. Take documents to shipping agent to certify correction.
8. Shipping Agent sends fax to shipping company overseas.
9. Correction made and documents re-submitted to Customs.
 - a) Entry accepted by Customs.
 - b) Agent advised to pay duty and taxes into the Customs Account with Commercial Bank which will issue receipt and stamp Bill of Entry.
 - c) Agent goes to the Bank to pay and brings receipt to Customs. Customs endorses examination of goods.
 - d) Agent goes to the Port Customs Offices and Port Authority Office. Goods are located, examined, and release authorised.
10. Agent goes to Port Authority to pay handling and storage charges and obtains release from Port authority.
11. Finally agent goes to Port Police to obtain a Gate Pass. Goods are taken out of the Port.

From the prospective of Trade Facilitation Customs Clearance in this example is cumbersome

because of the following:

Streamlining of Procedures

The procedures should be such as that the Clearing Agent should not go back and forth. In this example, the agent has had to go to the Customs several times. Customs could carry out all documentary checks before returning the documents to the agent for correction. The agent would then make all the corrections and re-submit the documents.

Elimination of Unnecessary formalities

Perhaps the question of Income Tax payment should not be raised when goods are being cleared. While administrative co-operation between Revenue services is commendable, it should not interfere with the flow of trade documents and goods in international trade. In this example, Customs could allow Income Tax to check Customs documents only after Customs clearance.

Reduction in the Number Institutions Involved

In this case, the clearing agent has had to deal with

- a) Shipping Agent
- b) Central Freight Bureau
- c) Ministry of Trade
- d) Income Tax Department
- e) Customs Department
- f) Commercial Bank
- g) Port Authority
- h) Port Police

Dealing with many institutions can waste much time not only in moving from one office location to another but also in queues. Where several institutions have an interest in the import transaction, they can delegate their powers and responsibilities to one institution. In the present example, customs could discharge the functions of the Central Freight Bureau, Ministry of Trade, Income Tax and Commercial Bank. But Trade Facilitation would even question the interests of these institutions. For example, why should importers pay fees to the Central Freight Bureau? Why should import licences be required? Why should the Income Tax Department be directly involved in import trade? Why should the Commercial Bank be involved in trade? Why should the Commercial Bank be involved in the process of Clearing goods?

The Customs Clearance System

The Customs Clearance System is an important part of the International Trade Documentation and Procedures System. The foregoing example illustrates also the need for Customs to streamline the Customs Clearance System and to give Customs Clearance offices all the powers necessary for clearing goods. All document processing should be accomplished in a single Customs office. This should be the Customs office where the goods

are located or which has charge of the goods. For example the Railway Customs Office should have all the powers for clearing goods and only in exceptional cases should the Customs Headquarters be involved.

The most important point for Senior Officers is that they should always question Customs clearance procedures with a view to their streamlining and simplification.

12. Institutional Arrangements

At the International Level

Trade Facilitation as a matter of international concern did not start in earnest until the 1960s. During this time certain European countries led by Sweden introduced the subject in the work of the ECE, and this led to the adoption the United Nations Layout Key and establishment of various permanent Working Parties in the ECE to deal with various trade facilitation issues. Subsequently, UNCTAD initiated a Trade Facilitation Programme, FALPRO, for promoting Trade Facilitation especially in Developing Countries.

As early as 1949, the International Civil Aviation Organisation (ICAO) had adopted Annex 9 of the ICAO Convention, which was designed to attain simplified and uniform procedures for facilitating movement of goods by air. Later, other organisations also adopted instruments addressing Trade Facilitation issues of individual concern. For example, in 1965 the International Maritime Organisation (IMO) adopted the Convention on Facilitation of International Maritime Traffic. In 1973 the Customs Co-operation Council (CCC), now World Customs Organisation (WCO), adopted the International Convention on the Simplification and Harmonisation of Customs Procedures (the Kyoto Convention 1973).

The International Organisations have committees on which Contracting Parties are represented for discussing facilitation issues. The Committees are responsible for drafting international instruments i.e. Treaties, Conventions, Agreements, Rules, Recommendations, Resolutions and Declarations concerning facilitation or simplification and harmonisation of procedures, and for monitoring implementation of the instruments.

The instruments contain standards and recommended practices that Contracting Parties are urged to adopt in legislation and in practice. This is also the methodology of the Kyoto Convention.

At the National Level

It has been mentioned above that UNCTAD has been instrumental in introducing Trade Facilitation in Developing Countries. This involved:

- a) Assisting countries in streamlining their trade documentation and procedures;
- b) Assisting countries in establishing National Trade Facilitation Councils which design National Trade Facilitation Programmes and carry on Trade Facilitation work

regularly;

- c) Assisting Regional Organisations to establish Regional Trade Facilitation Councils;
- d) Maintaining contacts with Regional and National Trade Facilitation Councils;

The National Trade Facilitation Council consists of representatives of Trade, Transport and Commerce as well as representatives of official authorities like Customs, Civil Aviation, the Central Bank, and Ministry of Trade. Annex III of the SADC Trade Co-operation Protocol shows the matters involved in Trade Facilitation and how they are addressed at the national and regional levels.

13. Conclusion

The foregoing is only a summary of the nature and scope of Trade Facilitation. Although this is the era of the Internet and E-commerce, the SADC region still needs Trade Facilitation as covered by Annex III of the Trade Cooperation Protocol. The Trade Facilitation Sub-Committee provided for in Annex III would bring together the associations of the key players in international trade such as the Customs, Port authorities, airlines, commercial banks, shipping companies, clearing and forwarding agents, etc. The agenda of the Committee would range from harmonization of trade procedures to establishment of community computer networks.